

AMENDED IN SENATE MARCH 21, 2011

SENATE BILL

No. 526

Introduced by Senator Walters

(Coauthors: Senators Dutton and Runner)

*(Coauthors: Assembly Members Garrick, Grove, Harkey, Jeffries,
Mansoor, and Silva)*

February 17, 2011

An act to add Section 7514.6 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 526, as amended, Walters. ~~Retirement.~~ *Public employees' retirement: final compensation.*

The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System, which provides a defined benefit to its members based on age at retirement, service credit, and final compensation. PERL defines "final compensation" for purposes of calculating a member's retirement allowance. The State Teachers' Retirement Law (STRL), the Judges' Retirement System II Law, and the County Employees Retirement Law of 1937 also provide for a defined benefit based on age at retirement, service credit, and final compensation.

This bill, for persons first hired on and after January 1, 2012, for the purpose of determining any pension or benefit with respect to a public entity defined benefit retirement system, would require that final compensation means the highest annual average compensation earnable by the person during a consecutive 36-month period of membership, as specified. The bill would prohibit the inclusion of credit for accrued

leave of any form or credit for overtime work in the calculation of final compensation, as specified.

~~The Public Employees' Retirement Law creates the Public Employees' Retirement System, which provides a defined benefit to its members based on age at retirement, service credit, and final compensation.~~

~~This bill would state the intent of the Legislature to enact legislation that would establish a defined contribution plan for new state employees.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7514.6 is added to the Government Code,
2 to read:

3 7514.6. (a) Notwithstanding any other provision of law, for
4 the purpose of determining any pension or benefit with respect to
5 service with a public entity that has a retirement system that
6 provides a defined benefit for which final compensation is an
7 element, both of the following shall apply:

8 (1) "Final compensation" shall mean the highest average
9 annual compensation earnable by the person during a consecutive
10 36-month period of membership in the system preceding the
11 effective date of his or her retirement as designated by the person.

12 (2) "Final compensation" shall not include any compensation
13 for accrued leave of any form or compensation for overtime work.
14 On and after January 1, 2012, the creation of a contractual right
15 to a calculation of final compensation that includes credit for
16 accrued leave or credit for overtime work is prohibited.

17 (b) This section shall apply to a person employed by the public
18 entity for the first time on and after January 1, 2012. If a
19 memorandum of understanding, entered into prior to January 1,
20 2012, would preclude application of this section with regard to
21 particular employment classifications, this section shall not apply
22 to a person to be employed in those classifications governed by
23 the memorandum of understanding, provided that upon expiration
24 of the memorandum of understanding this section shall apply. A
25 renewal or continuation of an existing memorandum of
26 understanding shall be considered a new agreement for purposes
27 of this section and shall not supersede the requirements of
28 subdivision (a).

1 ~~SECTION 1.—It is the intent of the Legislature to enact~~
2 ~~legislation that would establish a defined contribution plan for new~~
3 ~~state employees.~~

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